



# *In Touch*

*With the Western Pennsylvania District Office*

Spring 2004

Volume 7 Issue 3

A publication for small business resource partners in Western Pennsylvania

U.S. Small Business Administration  
Western Pennsylvania District Office  
Federal Building – Room 1128  
1000 Liberty Avenue  
Pittsburgh, PA 15222-4004  
(412) 395-6560  
(412) 395-6562 Fax

Western PA Business Information Center  
Riverside Commons Innovation Center  
700 River Avenue – Suite 510  
Pittsburgh, PA 15212  
(412) 322-6441

## **In this Issue:**

Regional Lender's Conference	Page 1
Small Business Award Winners	Page 2
Changes to the 7(a) Program	Page 3
504 Program Centralization	Page 3
SBA: 50 Years by the Numbers	Page 4
Revised IRS Form 4506-T	Page 4
National Guaranty Purchase Center	Page 4
Al Jones' Retirement Party	Page 4
WEDO Tour	Page 5
Quality Circle Conference	Page 6

SBA Online:  
[www.sba.gov](http://www.sba.gov)

SBA Western Pennsylvania District  
Office Online:  
[www.sba.gov/pa/pitt/](http://www.sba.gov/pa/pitt/)

Staff Directory:  
[www.sba.gov/pa/pitt/directory.html](http://www.sba.gov/pa/pitt/directory.html)

*All of the SBA's programs and services  
are provided to the public on a  
nondiscriminatory basis*

## **Regional Lender's Conference 2004**

The Mid-Atlantic Regional Lender's Conference will be held June 15-18, 2004 at the Boar's Head Inn in Charlottesville, Virginia. It is a great opportunity to receive updates on the SBA loan programs for 2004 and beyond, hear from government officials concerning new initiatives that impact small business lending, participate in informational sessions devoted to important issues and programs that affect small business lenders, and network with industry professionals.

### **Session Topics:**

- \*Changes in the SBA 7(a) Loan Program: Implications for Lenders
- \*Impact of Centralization: Working with SBA's new Liquidation Center
- \*New Lenders: An Introduction to SBA's Loan Programs
- \*Optimizing the 504 Loan Program
- \*SBA Specialty Program (SBA *Express*, LowDoc, Community *Express*, Export *Express*, and CapLines)
- \*Credit Scoring: Past, Present and Future
- \*Preferred Lender Panel
- \*Accessing the Secondary Market
- \*How to Recognize Fraudulent Financial Statements
- \*Helping Your Customers Succeed: Effectively using SBA Resource Partners (SBDCs, SCORE, BICs, etc.)
- \*Acquisition Financing: Benefits of Business Valuations

### **Featured Speakers:**

- \*Senator George Allen, U. S. Senate, Senate Small Business Committee (invited)
- \*Ron Bew, Associate Deputy Administrator of SBA Office of Capital Access
- \*Allegra McCullough, former SBA Mid-Atlantic Regional Administrator
- \*Greg Wach, Banking & Finance Counsel to Senate Small Business Committee
- \*Kevin Wheeler, Professional Staff Member, Office of Senator John Kerry
- \*Tom Cator, Lobbyist, National Association of Government Guaranteed Lenders

To register for this event or for further information, contact Becky Zander at Business Loan Express by phone at (804) 344-8160, extension 114. **SBA**

# SBA Small Business Awards Luncheon

The U.S. Small Business Administration honored its award winners at a luncheon celebration on Friday, May 7, 2004, hosted by the Western Pennsylvania Small Business Network (WPSBN). The annual event was held at the Westin Convention Center Pittsburgh to recognize local entrepreneurs and small business advocates for their accomplishments and contributions to the small business community. Randy Grossman, former all-Pro Tight End with the Super Bowl Steelers, was the keynote speaker and Bill Flanagan, Chief Communication Officer of Allegheny Conference on Community Development, was the Master of Ceremonies. The Leo McDonough Distinguished Public Official Small Business Advocate Award was presented by SMC Business Councils to Congressman Phil English.

The award winners (most are pictured below) for the Western Pennsylvania District Office compete against the winners of the other SBA District Offices within its region and then on a national level. To differentiate between the various levels of winners (National, Mid-Atlantic Region, Pennsylvania, and Western Pennsylvania), the breakdown is as follows:

**District:** Twenty-seven counties in western Pennsylvania

**State:** Two district offices (Pittsburgh & Philadelphia) in Pennsylvania

**Regional:** Five states (PA, DE, WV, VA, & MD) plus the District of Columbia

**National:** Represents the entire country

To nominate an individual for the 2005 Small Business Awards Program, please contact Ray Becki at (412) 395-6560, extension 104 or by e-mail at [raymond.becki@sba.gov](mailto:raymond.becki@sba.gov) for a copy of the nomination guidelines.



## Small Business Persons of the Year

*Western Pennsylvania*

William Gardner, Jr. & Adam Gardner  
Smart Parts, Inc.

## Mid-Atlantic Region

*Small Business Exporter*

Francois Reizine  
American Sensors Corporation

## Pennsylvania

*Family-Owned Small Business*

John Schultz, Jr. John Schultz III, and Matthew Schultz  
The John V. Schultz Company

## Phoenix Award for Outstanding Contributions to Disaster Recovery

Raymond V. DeMichiei  
City of Pittsburgh – Emergency Management

## Western Pennsylvania

*Financial Services Advocate*

Michele Bush  
Nittany Bank

*Women in Business Advocate*

Deborah Moses  
PowerLink

*Minority Advocate (tie)*

Alexander Nichols  
Pittsburgh Regional Minority Purchasing Council

Cameil Williams  
Pittsburgh Metropolitan Area Hispanic Chamber of Commerce

*Small Business Journalist Advocate (tie)*

Michael Bradwell  
Washington Observer Reporter

Ronald R. Morris  
American Entrepreneur

*SCORE Volunteer of the Year*

Walt Becker  
Pittsburgh SCORE Chapter

# Changes to 7(a) Program

On April 5, 2004, H.R. 4062, which provides a temporary extension of authorization for certain SBA programs, was signed into law. These changes are effective as of April 5, 2004 and will expire on September 30, 2004, unless extended by subsequent legislation.

## Loan Amount

1. The temporary \$750,000 loan cap imposed, which took effect on January 8, 2004, is lifted. The limit on the gross amount of a 7(a) loan is once again, \$2.0 million.
2. The loan guaranty limit has increased from \$1.0 million to \$1.5 million.

## Lien Position/Combination Financing

1. The piggyback loan structure, which was temporarily prohibited, is rescinded.
2. H.R. 4062 created a temporary new term, "Combination Financing," to describe a type of financing commonly known as "piggyback financing." Combination Financing must meet the following requirements:
  - The financing must be comprised of both a loan guaranteed under the 7(a) loan program and a commercial loan, which is not guaranteed by the federal government.
  - The commercial loan may be made by the same participating lender that is making the 7(a) loan or by a difference lender.
  - The commercial loan may be (but is not required) secured by a lien senior to the lien securing the 7(a) loan.
  - The commercial loan amount must not exceed the gross amount of the 7(a) loan.

## Other Requirements for Combination Financing

- Term of the first lien note must be similar to the term of the SBA guaranteed loan, but no less than half the maturity of the SBA guaranteed loan.
- First lien note must be fully amortizing and may not include a balloon payment.
- Interest rate of the first lien note may be no higher than the interest rate of the SBA guaranteed loan.
- At least 75% of the proceeds of a Combination Financing must be used for real estate and long-term, fixed assets.
- The lien position for the SBA guaranteed loan may be no lower than second position.
- The first lien note must be for a purpose that would be eligible for SBA financing.
- For the purpose of determining the size of the SBA loan, the "project" shall be defined as the total amount financed. It will not include the borrower's down payment or any other items.
- A default interest rate on the first lien note is not permitted; no additional fees triggered by a default on the first lien note will be permitted.

## SBA Express Program Changes

1. SBA Express lenders may now approve SBA Express loans up to \$2.0 million (gross amount) using existing SBA Express procedures.
2. SBA will continue to accept applications for new participants in SBA Express and will continue to handle renewals under the current procedures.
3. The legislation does not change the current policies and procedures governing Export Express or Community Express.

## Guarantee and Annual Fees

1. If the commercial loan has a senior credit position to the 7(a) loan, a one-time fee equal to 0.7 percent of the amount of the commercial loan is to be paid to SBA. This fee shall be paid by the SBA participating lender, and must be remitted when the up-front guarantee fee is paid (this fee may not be passed on to the borrower). If the commercial loan is in a shared lien or subordinate lien position to the 7(a) guaranteed loan, this one-time fee does not apply.
2. The on-going annual fee on all loans approved during this time period is increased to 0.36 percent from the 0.25 percent.
3. Lenders are not permitted to retain 25 percent of the up-front guarantee fee on loans with a gross amount of \$150,000 or less (as previously allowed), but rather, must remit the full amount to SBA.
4. An additional up-front guarantee fee equal to 0.25 percent of the amount by which the guaranteed portion of the loan exceeds \$1.0 million, must be paid to SBA.

For further clarification, this information can be found in SBA Policy Notice 0000-1727 or contact the District Office to speak to a loan officer. **SBA**

# Centralization of 504 Loan Program

Certified Development Companies (CDCs) must now submit all 504 loan applications to the Sacramento Loan Processing Center at the following address:

Sacramento Loan Processing Center  
Small Business Administration  
U.S. Federal Courthouse  
501 I Street, Suite 12-100  
Sacramento, CA 95814-2322  
(916) 930-2410

Questions concerning pending loan applications or eligibility issues are to be submitted in writing via e-mail to **sacramento504@sba.gov. SBA**

# SBA: 50 Years

## *By the Numbers*

Millions of times, in millions of ways, and with billions of dollars in financial assistance, the U.S. Small Business Administration has helped America's entrepreneurs start and grow small businesses.

The agency has provided assistance to small business entrepreneurs more than 21.5 million times since it was founded 50 years ago, including loans, surety bond guarantees, counseling and training sessions, venture capital, disaster loans, contracts and other forms of assistance.

The total financial assistance has amounted to \$245.2 billion dollars in loans and venture capital financing to small businesses, many of which have grown to become some of the largest enterprises in the world.

Also, the SBA has coordinated or provided \$148.75 billion in contracting, R&D, and disaster recovery assistance while counseling and training more than 17 million people in business development.

From August 1, 1953 through May 1, 2003, the SBA has provided:

- ▶ 1,246,963 direct and guaranteed 7(a), 504 loans and microloans, totaling \$204.93 billion
- ▶ 136,497 financings of venture capital for \$40.28 billion to approximately 96,281 small businesses since the beginning of the Small Business Investment Company program in 1958
- ▶ 6.5 million counseling sessions and individuals trained by SCORE, "Counselors to America's Small Business," since October 1964, when the SBA created a central organization from about 50 informal business mentoring groups scattered around the country. Today there

are 389 SCORE chapters with more than 10,500 members

- ▶ 10,337,791 Small Business Development Center clients counseled and trained since the program started from a pilot at eight universities in 1977. Today there are more than 1,100 SBDCs throughout the country
- ▶ 423,342 clients counseled or trained by Women's Business Centers since 1995, when the program, established in 1988, started keeping track of clients served
- ▶ 1.6 million disaster loans for more than \$31.8 billion
- ▶ More than 702,000 contracting actions worth about \$103 billion to small businesses since the inception of the 8(a) program.
- ▶ More than 69,000 Small Business Innovation Research awards, worth more than \$13.3 billion to small businesses, granted by federal agencies from 1982 – 2002 **SBA**

## Revised IRS Form 4506-T

All SBA 7(a) and 504 related requests for IRS tax transcripts must be submitted to IRS Service Centers using the new IRS Form 4506-T. To ensure SBA related requests are provided in an expedited manner and that requesters are not charged for tax transcripts, SBA's logo must be included at the top of the form. IRS Form 4506 (dated May 1997) has been revised and is to be used for other tax information requests, including request for actual tax returns. A copy of the form can be found on the SBA Banking web site at [www.sba.gov/banking](http://www.sba.gov/banking) under the section entitled 'Forms.' **SBA**

## National Guaranty Purchase Center

The SBA's 7(a) loan guaranty purchase function has been centralized into a single national location in Herndon, Virginia. The mission of the Center is to efficiently process guaranty purchase requests and to provide assistance and oversight, as necessary, to lenders during loan liquidation. Centralization of this function will provide increased standardization of the purchase process and exceptional customer service with quick turnaround times.

Lenders should direct all inquiries and correspondence on liquidation and guaranty purchase issues to:

National Guaranty Purchase Center  
Small Business Administration  
1145 Herndon Parkway  
Herndon, VA 20170  
(703) 487-9283  
(202) 481-4674 Fax  
Monday - Friday 7:30am to 6:30pm

For general liquidation issues, lenders can send an e-mail to the Center at [loanresolution@sba.gov](mailto:loanresolution@sba.gov) or for issues relating to guaranty purchases, send an e-mail to [sbapurchase@sba.gov](mailto:sbapurchase@sba.gov). The Center also has a web page for lenders at [www.sba.gov/banking/herndon.html](http://www.sba.gov/banking/herndon.html).

The Commercial Loan Service Centers in Fresno, California and Little Rock, Arkansas will continue to assist lenders on accounts that are not in a liquidation status. **SBA**

## Save the Date! *July 16, 2004*

Mark your calendar for the upcoming retirement party for Al Jones, which will take place on Friday, July 16, 2004. More details on the dinner party will be forthcoming. **SBA**



## WEDO Sponsored by National City



National  
Association  
of Women  
Business  
Owners



ClassicPouters  
www.classicpouters.com

### Contributing Entrepreneurs:

FARO Enterprises  
SI Business Associates  
Strategy Solutions, Inc.  
Patriot Limousine LTD

### WEDO Partners:

eBizITPA  
Chambers of Commerce in Western PA  
Northwest Pennsylvania Regional  
Planning and Development Commission  
Small Business Development Centers  
SCORE  
Washington & Jefferson College  
Office of Lifelong Learning  
Women's Business Network



- **DAY 1: WESTMORELAND/INDIANA/FAYETTE** - Monday, JUNE 7, The National Education Center for Women in Business, Seton Hill University, Greensburg
- **DAY 2: WASHINGTON/GREENE** - Tuesday, JUNE 8, Washington & Jefferson College, Washington
- **DAY 3: BUTLER/ALLEGHENY/BEAVER** - Wednesday, JUNE 9, National City Center, Downtown Pittsburgh
- **DAY 4: LAWRENCE/MERCER/VENANGO** - Thursday, JUNE 10 - 8 a.m. to Noon, Slippery Rock University
- **DAY 4: CLARION/CLEARFIELD/JEFFERSON/FOREST/ARMSTRONG/ELK** - Thursday, JUNE 10 - 1:30 to 5:30 p.m., Clarion Holiday Inn, Clarion
- **DAY 5: ERIE/CRAWFORD/WARREN** - Friday, JUNE 11, National City, Erie



**FOR ADDITIONAL INFORMATION and registration  
please go to [www.e-magnify.com](http://www.e-magnify.com)**

# WEDO

**Get connected. Get inspired. Get to WEDO in June!**

## Women's Economic Development Outreach

### Why should you attend WEDO?

Because you are a busy professional with little time to waste and you need information, resources, contacts and a plan to grow your business. We will provide hands-on information to help position your company and introduce you to key contacts to get this all done. You will learn about such topics as: financing growth, strategic public relations, the benefits of third party endorsements, turning prospects into customers, using e-commerce to increase efficiencies and competitiveness and the benefits of becoming certified as a women's business enterprise. Also, during the event, you will have the opportunity to benefit from outstanding networking with other women entrepreneurs and WEDO speakers.

### What will WEDO?

The Women's Economic Development Outreach (WEDO) is a coalition of dynamic women leaders working together to bring information and focused resources that directly impact women owned businesses and their opportunity for business expansion. Speakers will share their tips on building a successful business while getting the most from life.

### Where and when is WEDO?

Click on [www.e-magnify.com](http://www.e-magnify.com) for complete WEDO information. You can register for any one of the events online or by calling National City at 888-NCB-4-Biz (888-622-4249). There is no charge to attend, but seats are limited, so please register early.



**Get connected. Get inspired. Get to WEDO in June!**



# Quality Circle 2004

The annual Quality Circle, hosted by the Western Pennsylvania Association of SBA Guaranteed Lenders (WPASGL), was held at Seven Springs Mountain Resort on Thursday and Friday, March 11-12, 2004. Professionals in the banking industry, business consultants, attorneys, CPAs, and SBA staff members presented various topics of interest the attendees including:

- ♦ SBA Lending 101
- ♦ SBA Lending 102
- ♦ SBA's 504 From Beginning to End
- ♦ Staying In "Form"ed on SBA Application Documents
- ♦ Effective SBA Loan Closings & Documentation
- ♦ How to Guarantee your Guaranty
- ♦ Hop Aboard the SBA Express
- ♦ SBA's New Loan Liquidation Center
- ♦ The Myths about Restaurants
- ♦ Finding the Value in Business Valuation & Commercial Appraisals
- ♦ Taxing Changes in Store for Small Business
- ♦ Where's the Cash? Analyzing & Assessing Business
  - Cash Flow
- ♦ Time Management for Bankers
- ♦ The Myths about Restaurants
- ♦ Getting the "Dirt" on Environmental Assessments
- ♦ The Fundamentals of Funding SBA



During the luncheon on Thursday, SBA District Director Al Jones provided the attendees with updates on the SBA loan program. Allegra McCullough, Mid-Atlantic Regional Administrator discussed the status of the National Guaranty Purchase Center.

Participants had the opportunity to let their hair down after a long day of training sessions with a night of dancing, bowling, skiing, snow tubing, miniature golf, swimming, and roller-skating.

Additional breakout sessions were held Friday morning leading up to the Lunch & Lender Awards Program presented by WPASGL. Michele Bush was presented with the 2003 Champion Award by SBA District Director Al Jones. Citizens Bank was selected as the 2003 Leading Lender for its record-breaking performance. The 2003 SBDC Award of Excellence was presented to University of Pittsburgh Small Business Development Center for leading the district in capital formation. **SBA**



DD Al Jones and Janice Spicher of Citizens Bank.



Al Jones and Michele Bush



Al Jones with Christine Kush of Pitt SBDC